
U.S. Representative

John Spratt

South Carolina ■ 5th District

News Release

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Reports Show How Older Americans Without Good Drug Coverage Pay Dearly for Their Medicine

WASHINGTON — U. S. Rep. John Spratt (D-SC) today released two reports — one showing that 5th District seniors without prescription drug insurance pay more for their medicine than anyone else, and another showing that they pay at least twice as much for the same prescriptions as our nearest neighbors, the Canadians and the Mexicans.

Both reports were prepared by Democratic staff on the Special Investigations Division of the House Committee on Government Reform and Oversight. Spratt is a senior member of the committee. His own staff collected 5th District data to go with the report.

The two reports show that:

- 86% of all Americans over the age of 65 take prescription drugs.
- Americans over 65 spend 21% of their income on health care, almost three times as much as those under the age of 65.
- Much of what older Americans spend out-of-pocket for health care goes to buy medicine. Older Americans make up 12% of the population but consume more than 33% of all prescription drugs.
- 32% of those on Medicare lack any drug coverage at all; another one-third have coverage but it is expensive and inadequate.
- The lack of drug coverage is worse outside urban areas where Health Maintenance Organizations (HMOs) are rare. In rural areas and small towns, 48% of those on Medicare lack any drug coverage at all.
- 5th District seniors without drug coverage pay 138% more for their medicine than do large preferred customers, like HMOs and the Veterans Health Care Administration.
- 5th District seniors without drug coverage pay 102% more for their medicine than

their counterparts in Canada, 81% more than their counterparts in Mexico.

- In 1998, the Congressional Budget Office found that “purchasers that have no insurance coverage for drugs ... pay the highest prices for brand name drugs.”
- In 1999, the Federal Trade Commission (FTC) found abundant proof of “differential pricing.” The FTC gave as a “notable example ... the ‘two-tiered pricing structure’ under which pharmaceutical companies set lower prices to large buyers like hospitals, HMOs, and Pharmacy Benefit Managers and charge higher prices to other buyers that include the uninsured and independent and chain retail pharmacies.”

Spratt called this a “system that no fair or rational person would ever design. It forces older Americans who need drugs the most to pay the most for them, and it forces some to make a hard choice between food and pills. The scales are out of balance, and the best way to right them is to add a prescription drug benefit to Medicare.”

Spratt said a Medicare drug benefit would allow some 20 to 30 million Medicare beneficiaries with no coverage or inadequate coverage to buy the medicine their doctors prescribe for them. “But, in addition,” he said, “it would allow Medicare administrators to use the market clout of 40 million Medicare consumers to get the same prices that HMOs, hospital chains, and the Veterans Health Care Administration enjoy.”

Another step toward a solution is for Congress to pass S.2520. This would allow licensed pharmacists and drug wholesalers in the United States to import FDA-approved drugs from Canada, Mexico, and other countries, and sell them in the U.S. The bill was offered as an amendment to the Senate agriculture appropriations bill, and passed by a vote of 74-21, but among the 21 voting no were key senators like Assistant Majority Leader Don Nickles (R-OK). The President and the Democratic leadership in both houses have called for passage of S.2520 but the issue is lodged in conference.

Spratt’s survey, conducted in August, included eleven drug stores in York, Fairfield, Sumter, and Darlington Counties, and covered the top five drugs used by senior citizens: Zocor (for high cholesterol), Prilosec (for ulcers), Zoloft (for depression), Procardia (for heart problems), and Norvasc (for high blood pressure).

The survey formed the basis of the two reports. One report compares the retail prices that Spratt collected to prices on the Federal Supply Schedule, the best publicly available indicator of the negotiated prices that drug makers charge their large, preferred customers. A second report compares retail prices in the 5th District to prices for medicine charged consumers in Canada and Mexico.

“These two reports together,” said Spratt, “show how consumers in the United States pay among the highest prices in the world for drugs; and how our seniors pay the most of all. They buy more medicine, and have less coverage and no one to bid for them. So, they pay what the market will bear.”

Spratt today held press conferences to release the two reports, at Good's Pharmacy in Rock Hill and MEDICAP Pharmacy in Darlington. "I selected these locations for a reason," said Spratt. "The retail pharmacies are not the problem. In fact, the high prices they have to pay have squeezed them too, and their margins are thinner than ever."

Spratt is the ranking Democrat on the House Budget Committee, and he led the effort for prescription drug coverage in this session of Congress by bringing forth a budget resolution providing \$40 billion over five years to add a drug benefit to Medicare. He then sponsored legislation to set up a specific drug benefit plan. The coverage would be a part of Medicare, but totally voluntary. There would be no deductible before coverage kicks in, but there would be premiums and co-payments. For a monthly premium of \$25, Medicare would pay half of one's prescription drug costs up to \$2,000 initially. This ceiling on coverage would rise to \$5,000 by 2009. Premiums would go up with the cost of medicine. Those with lower incomes would qualify for financial assistance to cover premiums and co-payments.

In response to the House Democrats' plan, House Republicans brought a drug benefit proposal of their own to the House floor in June. Their plan provided subsidies to insurance companies to encourage them to issue "stand-alone" prescription drug policies at more affordable premiums. Charles N. Kahn, President of the Health Insurance Association of America, dismissed the proposal, saying that he "did not know of an insurance company that would offer a drug-only policy like this or even consider it ... The concept of so-called drug-only private insurance simply would not work in practice." The House leadership blocked a vote on the Democratic drug benefit plan and narrowly passed their own by a vote of 217-214. The plan has gone to the Senate but not been considered. Sen. William Roth (R-DE), chairman of the Finance Committee, has instead offered a plan of his own, which has not been reported to the Senate for a vote.

Spratt doubts that a Medicare prescription drug benefit will be enacted by this Congress, which will adjourn soon; but "it will be on front burner when the next Congress convenes."

"Older Americans need this coverage now," said Spratt, "but they need a guaranteed benefit at an affordable price, and help against the high cost of drugs. We need to fill this hole in Medicare coverage and pass a drug benefit soon, but we need to do it right."

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